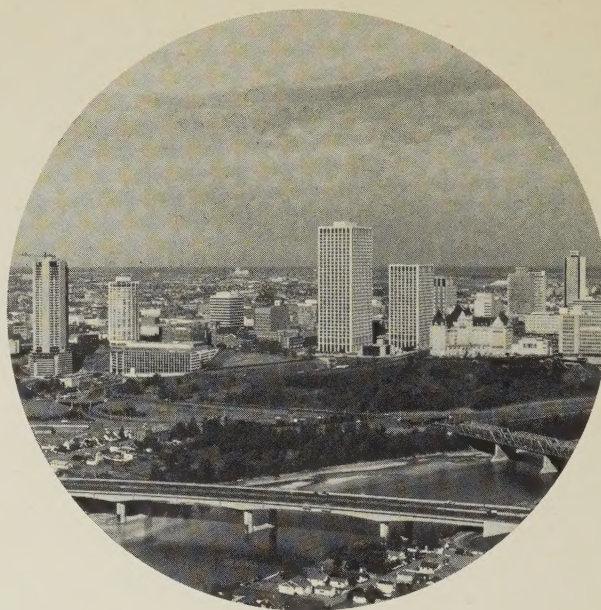


Annual Report 1971

Trans Mountain Oil Pipe Line Company





THE COVER

The front and back covers show recent aerial photographs of Vancouver and Edmonton, respectively. The rate of growth of both cities during the past two decades has been exceptional. With Edmonton the originating terminal and Greater Vancouver a major terminus, Trans Mountain is proud to have had a part in helping bring about these present day developments.

1971 HIGHLIGHTS

FINANCIAL	1971	1970	Increase from 1970
Revenue	\$ 46,366,833	\$ 46,114,775	0.5%
Expense	17,805,251	16,444,139	8.3%
Earnings (after income taxes)	14,293,072	14,208,542	0.6%
Per share	1.89	1.89	
Dividends			
Per share	1.00 + .10	1.00 + .10	
Long term debt	20,360,000	28,976,749	
Capital expenditures	4,603,122	2,030,242	
Fixed assets at cost	157,665,910	153,188,934	
OIL MOVEMENTS			
Deliveries			
(barrels per day)	332,419*	333,146*	(0.2%)
Barrel miles			
(millions)	74,367	73,780	0.8%

*Including propane and jet fuel.

TWENTY-FIRST ANNUAL REPORT



TRANS MOUNTAIN OIL PIPE LINE COMPANY

DIRECTORS

R. L. BRIDGES

Partner, Thelen, Marrin, Johnson & Bridges

C. W. DANIEL

Vice-President, Shell Canada Limited

J. W. HAMILTON

Senior Vice-President and Director, Imperial Oil Limited

E. C. HURD

President, Trans Mountain Oil Pipe Line Company

J. G. LIVINGSTONE

Senior Vice-President and Director, Imperial Oil Limited

A. M. McGAVIN

President and General Manager, McGavin Toastmaster Limited

G. B. McLEAN

President and Managing Director, Standard Oil Company of British Columbia Limited

B. E. MILNER

Vice-President, Atlantic Richfield Company

J. W. MORGAN

Vice-President, Gulf Oil Canada Limited

OFFICERS

E. C. Hurd, *President*

J. H. McQuarrie, *Secretary*

K. M. Leask, *Treasurer*

A. A. Goulson, *Assistant Treasurer and Assistant Secretary*

G. A. Irving, *Assistant Secretary*

J. G. Torrance, *Assistant Secretary*

HEAD OFFICE

400 East Broadway, Vancouver 10, British Columbia, Canada

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited

Vancouver, Calgary, Edmonton, Winnipeg, Toronto and Montreal

AUDITORS

Price Waterhouse & Co.

Vancouver, British Columbia, Canada



This aerial photograph was taken last autumn on a helicopter patrol 36 miles west of our Edmonton Terminal. Looking at the picture, you would never guess there is a pipe line under these beautiful rolling acres; the Trans Mountain pipe line, in which oil flows in controlled movement from Edmonton, near the oil fields of Western Canada, to the growing markets of the Pacific Northwest.

REPORT TO THE SHAREHOLDERS

Average deliveries of petroleum in 1971 at 321,461 B/D were almost exactly the same as in 1970. Deliveries for the first quarter of 1972 should average approximately 380,000 barrels daily.

FINANCIAL

Consolidated earnings for the year after provision for income taxes were \$14,293,000. Quarterly dividends of 25¢ per share were paid with an extra 10¢ dividend to a total of \$1.10 for 1971.

The operating revenue, which included \$712,000 interest from investments, was \$46,367,000 an increase of \$252,000 or .5% over 1970.

The Operating expenses increased over 1970 by 18.5% resulting from increased cost of fuel due to increased cost of horsepower and rental of necessary prime movers together with rising costs of materials, wages and corresponding benefits. Taxes other than income, comprised mostly of realty taxes, increased by 8.2% due to increased throughput in the previous year, and new installations. These increases were offset by a reduction in the income tax rate.

In 1971 \$2,140,000 of the Company's Canadian and United States pay bonds were purchased on the open market for current and 1972 sinking fund obligations for gains in the amount of \$6,500. Of these and regular sinking fund requirements the United States bonds created an exchange loss of \$134,000 owing to difference in exchange rates at the time of financing and repurchasing resulting in a net loss of \$127,500 from debt retirement. Details of all issues of Trans Mountain bonds are shown in "Notes to Financial Statements."

Capital additions to plant amounted to \$4,603,000 and capital expenditures for 1972 are now expected to be about \$1,500,000.

The financing arrangements referred to in last year's report have now been completed. The balance of the outstanding long term bonds will be retired on April 1, 1972 and will be replaced by a term bank loan. Although the loan is arranged for a maximum of \$25,000,000 it now appears that, in the absence of a need for sizeable capital expenditures, substantially less than this amount will be required.

GENERAL

High delivery rates at the beginning of 1971 fell off during mid-year and rose again at year end, resulting in average deliveries almost exactly the same as in 1970 which had been the highest in the Company's history. The new refinery of Atlantic Richfield Company came on stream late in 1971. This, together with increased demands of the other connected refineries in the State of Washington, has created delivery requirements in the first quarter of 1972 now forecast to be about 380,000 barrels per day which is close to the sustainable capacity of our newly expanded plant.

At the time of writing authorization has still not been issued for the construction of the crude oil pipe line across Alaska from the Arctic slope to Valdez. Thus it is reasonable to assume that it is now unlikely to be in full operation before late 1975. Even so, as we said in last year's report, "recognition must still be given to the competitive influence of that system when it does come into operation" al-

though it is not possible at this time to quantify the likely ultimate effect on Trans Mountain.

The research work of Mackenzie Valley Pipe Line Research Limited, in which your Company continues to participate, extended through 1971 and a report on the results to the end of the year is now in preparation. A \$1.5 million extension of the research is under way and consideration is being given to a further 1972 research program.

The propane facility continues to operate satisfactorily, although quantities of product delivered were less than anticipated as the result of the ship, which was specially built for this service, being in drydock for a lengthy period early in the year for hull inspection and repair. These quantities will be made up later by either higher rates of delivery or an extension of the contract term.

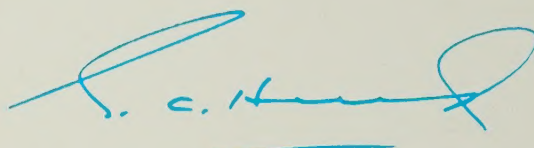
The jet fuel line to the Vancouver International Airport is operating normally with delivery volumes being determined by the level of airline activity.

The partly owned Central Heat Distribution system continues to serve downtown Vancouver with only minor operating problems. New customers have been connected periodically (56 customers now being served). As mentioned in our nine months report the system is not yielding a satisfactory rate of return and consideration will be given to revaluing this investment when appropriate.

There were two changes in your board of directors in February, 1971. Mr. R. P. Ritchie, a director since October 1960, resigned upon his retirement from Shell Canada Limited and was succeeded by

Mr. C. W. Daniel, Vice President Transportation & Supplies, Shell Canada Limited. Mr. B. E. Milner, Vice President, Atlantic Richfield Company was appointed to succeed Mr. L. M. Ream, Jr., who had served since April, 1966. Our gratitude is extended to Messrs. Ritchie and Ream for their valued contributions as directors.

The construction program coupled with rising throughputs in the latter part of the year has created a heavy work load on employees in all departments of the Company. Their effective performance during this period is much appreciated.



President

Vancouver, B.C.
February 25, 1972

DELIVERIES BY DESTINATIONS

	1971		1970		1969	
	Barrels per day	%	Barrels per day	%	Barrels per day	%
Vancouver refineries	101,186	30.5	95,644	28.7	83,781	27.2
Washington refineries	217,204	65.3	224,225	67.3	215,654	69.9
Westridge tankers (propane)	6,658	2.0	9,135	2.8	8,976	2.9
Westridge tankers (crude)	3,071	.9	2,337	.7	—	—
Vancouver Airport (jet fuel)	4,300	1.3	1,805	.5	—	—
	332,419	100.0	333,146	100.0	308,411	100.0

Natural gas liquids, in the form of condensate and butane, represented approximately 8.3% of the total volume transported. In 1970, these accounted for about 8.8% of the volume.

DELIVERIES BY CALENDAR QUARTERS

	Barrels Per Day		
	1971	1970	1969
Petroleum			
First Quarter	346,098	309,179	270,983
Second Quarter	303,674	308,178	297,281
Third Quarter	313,883	336,160	317,384
Fourth Quarter	322,531	334,870	314,683
Propane			
First Quarter	2,998	9,623	10,161
Second Quarter	5,929	9,333	5,996
Third Quarter	8,805	8,790	10,169
Fourth Quarter	8,811	8,807	9,368
Jet Fuel			
First Quarter	3,777	206	—
Second Quarter	4,560	200	—
Third Quarter	5,135	3,083	—
Fourth Quarter	3,721	3,679	—

Deliveries for the first quarter of 1972 are expected to be 394,000 barrels per day.

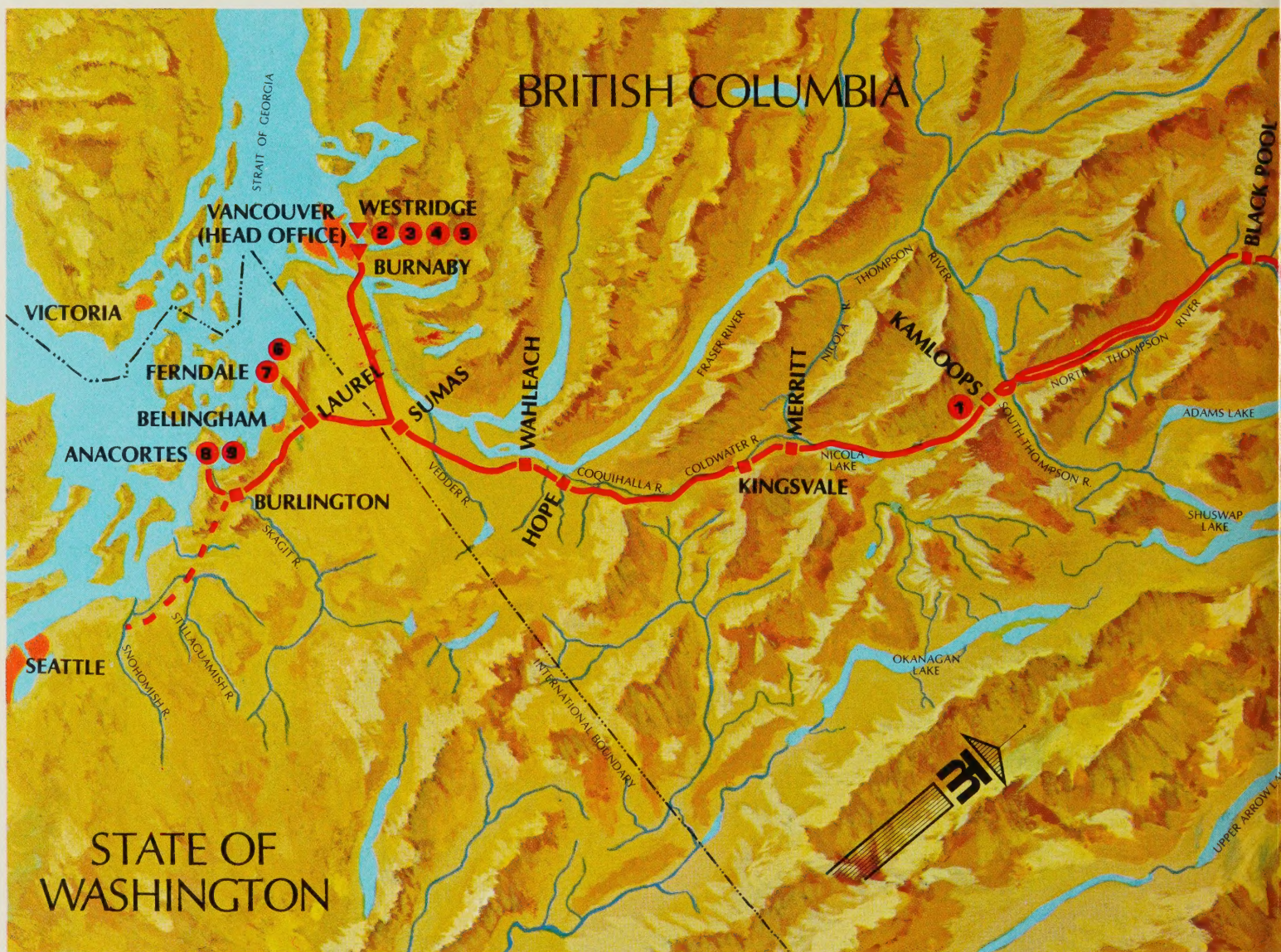
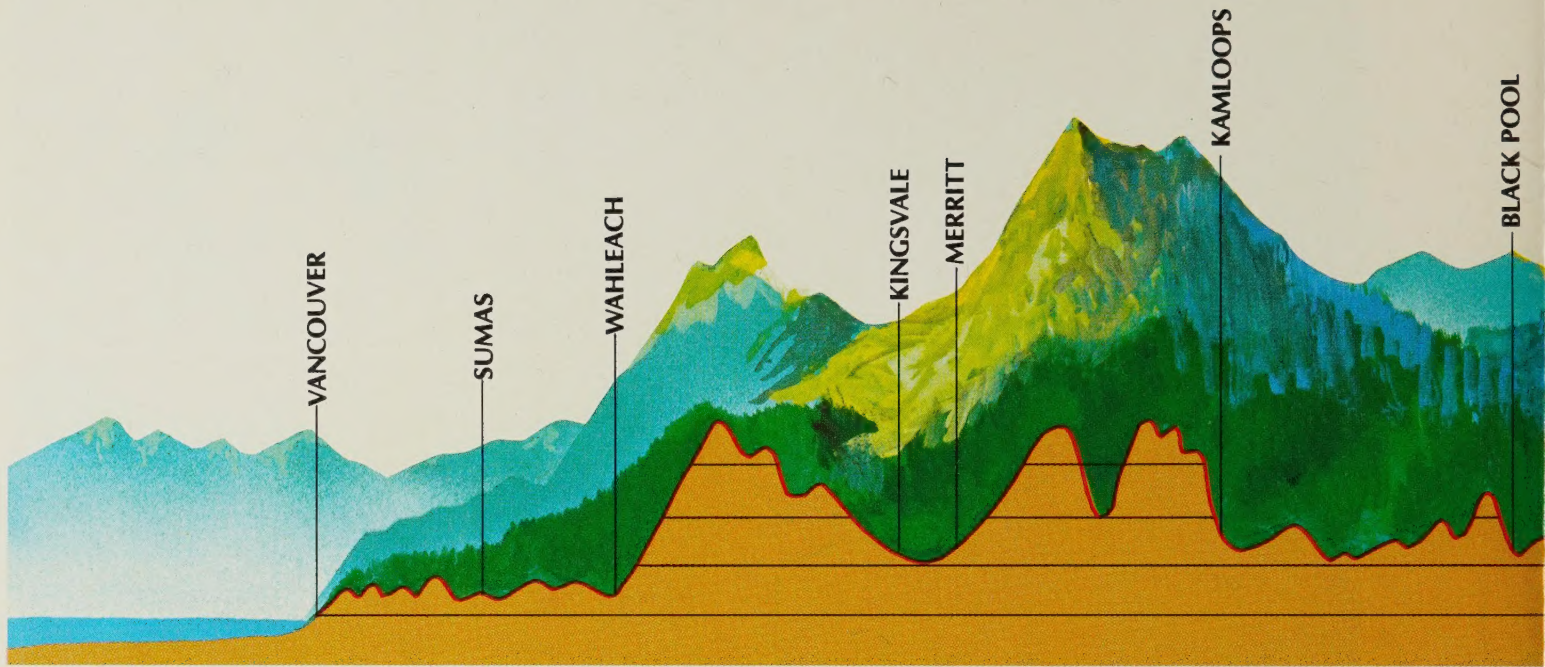
The following table gives a summary of the receipts of petroleum at the various receiving points.

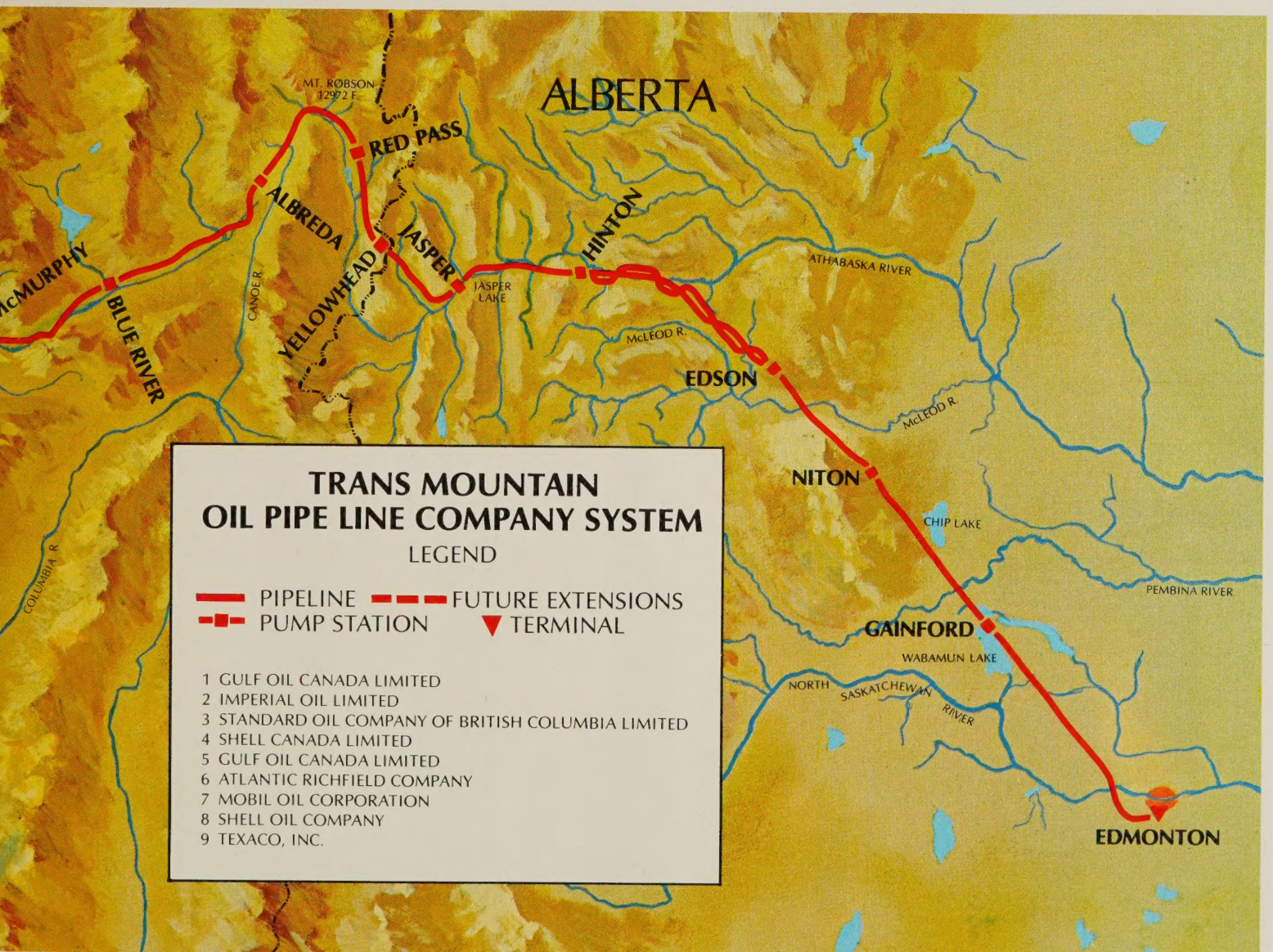
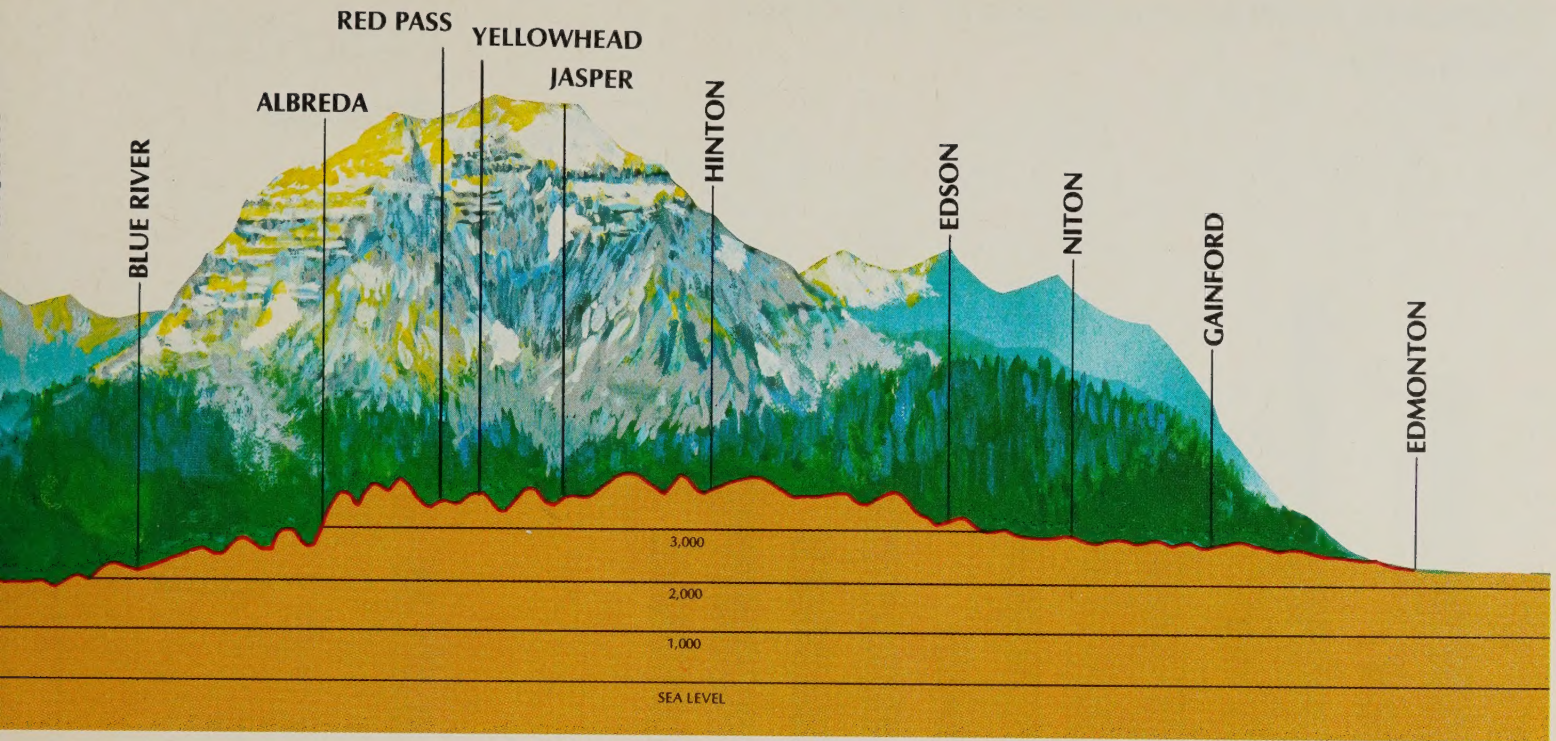
SUMMARY OF OIL RECEIVED

	Barrels Per Day		
	1971	1970	1969
Petroleum			
Edmonton	255,296	247,818	220,195
Edson	18,552	25,083	28,443
Kamloops	48,724	50,668	50,834
	322,572	323,569	299,472
Propane			
Westridge	7,138	9,144	8,389
Jet Fuel			
Vancouver refineries	4,304	1,820	—

STATISTICS FOR COMPARATIVE PURPOSES

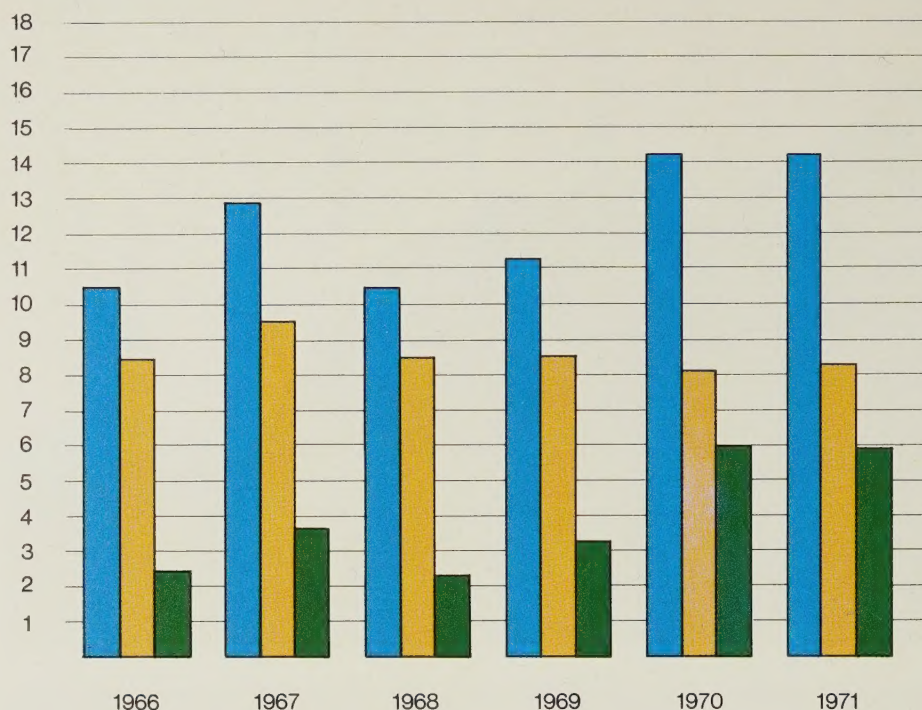
	1971	1970	1969
Barrel miles (millions)	74,367	73,780	67,590
Average length of haul (miles)	634	627	618



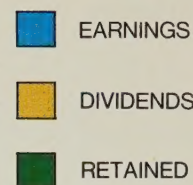


EARNINGS, DIVIDENDS & RETAINED EARNINGS

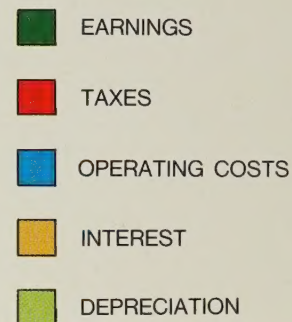
in Millions of Dollars



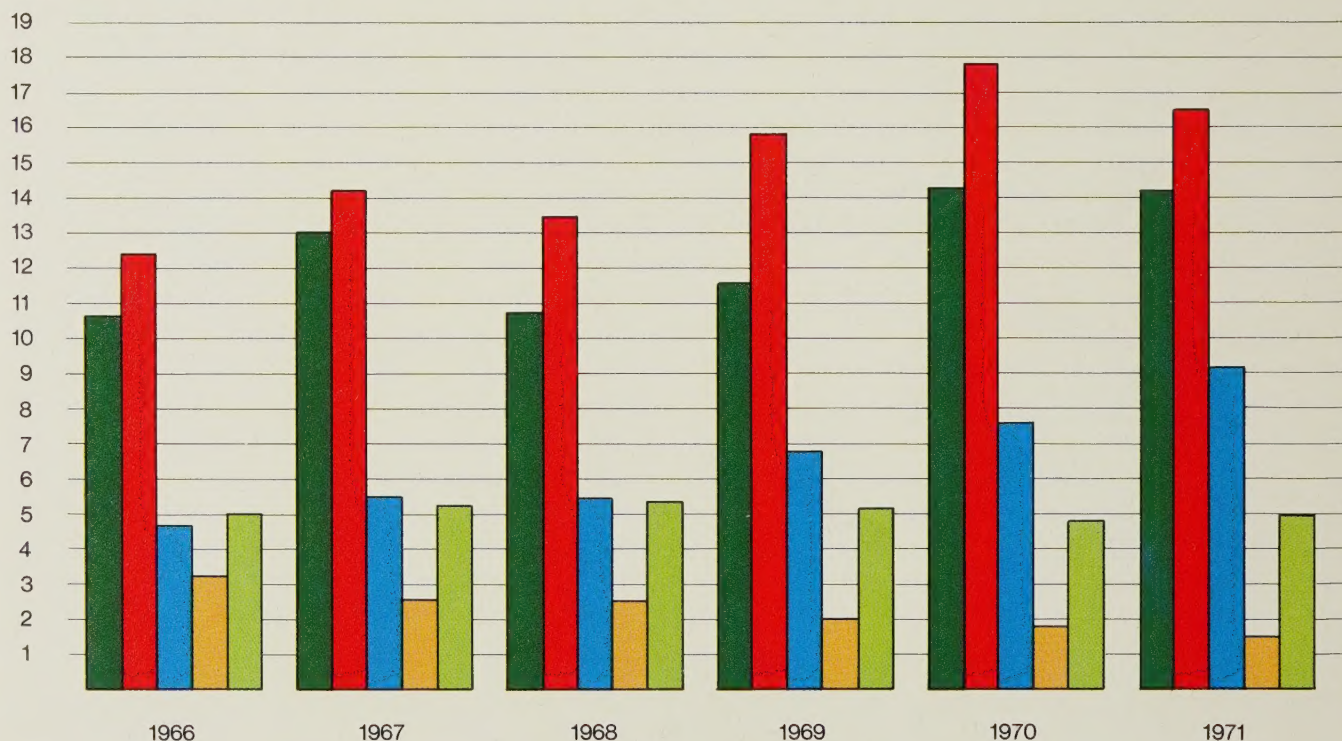
EARNINGS, DIVIDENDS & RETAINED EARNINGS



USE OF REVENUE



USE OF REVENUE (Including Investments) *in Millions of Dollars*



CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL

For the year ended December 31 1971 (*stated in Canadian currency*)

	1971	1970
Source:		
From operations	\$ 18,969,922	\$ 18,601,699
Sale of fixed assets	21,844	27,543
Decrease in other assets and deferred charges	1,688,138	49,833
Increased investment by minority shareholders in a subsidiary	—	242,800
Issue of common shares (<i>Note 6</i>)	657,225	—
	<u>21,337,129</u>	<u>18,921,875</u>
Disposition:		
Additions to fixed assets	4,603,122	2,030,242
Reduction in long term debt	8,616,749	6,093,326
Dividends paid	8,326,204	8,288,104
	<u>21,546,075</u>	<u>16,411,672</u>
Increase (decrease) in working capital	(208,946)	2,510,203
Working capital at beginning of year	7,448,434	4,938,231
Working capital at end of year	<u>\$ 7,239,488</u>	<u>\$ 7,448,434</u>

CONSOLIDATED BALANCE SHEET

As at December 31 1971 (*stated in Canadian currency*)

ASSETS

Current assets:

	1971	1970
Cash	\$ 226,255	\$ 523,899
Short term bank deposits and commercial notes	8,031,117	7,370,000
Bank deposit available for repayment of bonds maturing April 1 1972 ...	20,000,000	—
Government securities, at amortized cost (market value—\$411,180)	413,097	2,078,139
Accounts receivable	3,875,211	3,107,270
Deposits with bondholders' trustee	2,245,684	—
Estimated income taxes recoverable	386,929	—
Inventory of supplies, at or below cost	1,350,231	1,173,381
Prepaid expenses	160,818	202,059
	36,689,342	14,454,748

Other assets and deferred charges:

Unamortized expense, less premium, on first mortgage bonds	—	11,512
Deposits, mortgages and other deferred charges	741,556	317,247
Deposits with bondholders' trustee	—	2,100,935
Investment, at cost	10,000	10,000
	751,556	2,439,694

Fixed assets (*Note 2*):

Plant, at cost	157,665,910	153,188,934
Less:		
Accumulated depreciation	80,427,462	75,584,034
	77,238,448	77,604,900

Signed on behalf of the Board:

E. C. Hurd, *Director*

Allan M. McGavin, *Director*

\$114,679,346	\$ 94,499,342
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TRANS MOUNTAIN OIL PIPE LINE COMPANY

And Subsidiary Companies

LIABILITIES

Current liabilities:

	1971	1970
Accounts payable	\$ 833,696	\$ 837,652
Estimated income taxes payable	—	1,547,490
Accrued interest	331,769	381,326
Bond debt currently payable (Note 3)	28,248,859	4,204,316
Other long term debt currently payable	35,530	35,530
	<u>29,449,854</u>	<u>7,006,314</u>

Long term debt:

Bond debt, due April 1 1972	—	28,581,219
Term bank loan and other (Note 4)	20,360,000	395,530
	<u>20,360,000</u>	<u>28,976,749</u>

Deferred income taxes (Note 5)	9,149,394	9,370,784
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Minority interest in a subsidiary	455,522	505,012
	<u>59,414,770</u>	<u>45,858,859</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 6):

Authorized—

25,000,000 shares without nominal or par value

Issued—

7,580,640 (1970—7,534,640) shares	15,785,767	15,128,542
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Retained earnings (Note 7)	39,478,809	33,511,941
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	<u>55,264,576</u>	<u>48,640,483</u>
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\$114,679,346

\$ 94,499,342

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the year ended December 31 1971 (stated in Canadian currency)

EARNINGS

Income:

	1971	1970
Operating revenue	\$ 45,540,843	\$ 45,098,254
Income from investments	712,288	851,551
Sundry income	113,702	164,970
	<u>46,366,833</u>	<u>46,114,775</u>

Charges:

Operating expenses, other than those stated below	8,950,800	7,555,587
Taxes, other than income taxes	2,156,173	1,991,585
Provision for depreciation	4,947,730	4,874,816
Interest on long term debt	1,587,325	1,642,571
Loss on retirement of long term debt (net)	127,494	226,597
Exchange loss on consolidation of U.S. subsidiary (Note 1)	35,729	152,983
	<u>17,805,251</u>	<u>16,444,139</u>

Earnings before income taxes	28,561,582	29,670,636
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Provision for income taxes (Note 5):

Current	14,539,390	15,943,753
Deferred	(221,390)	(391,753)
	<u>14,318,000</u>	<u>15,552,000</u>
	14,243,582	14,118,636

Minority interest in subsidiary	49,490	89,906
---------------------------------------	--------	--------

Earnings for the year	<u>\$ 14,293,072</u>	<u>\$ 14,208,542</u>
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Earnings per share	<u>\$1.89</u>	<u>\$1.89</u>
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RETAINED EARNINGS

Retained earnings at beginning of year	\$ 33,511,941	\$ 27,591,503
Earnings for the year	14,293,072	14,208,542
	<u>47,805,013</u>	<u>41,800,045</u>
Dividends—\$1.10 per share (1970—\$1.10)	8,326,204	8,288,104
Retained earnings at end of year (Note 7)	<u>\$ 39,478,809</u>	<u>\$ 33,511,941</u>

NOTES TO FINANCIAL STATEMENTS

As at December 31 1971

1. CONSOLIDATION AND FOREIGN EXCHANGE:

These consolidated financial statements include the accounts of Trans Mountain Oil Pipe Line Company and its wholly-owned subsidiaries, Trans Mountain Enterprises of British Columbia Limited (including its partly-owned subsidiary—Central Heat Distribution Limited), Trans Mountain Housing Limited and Alpac Construction & Surveys Limited in Canada and Trans Mountain Oil Pipe Line Corporation in the United States.

The accounts of Trans Mountain Oil Pipe Line Corporation, the United States subsidiary company which owns and operates the pipe line in the State of Washington, and United States dollar balances of Trans Mountain Oil Pipe Line Company have been expressed in Canadian dollars on the following bases:

Current assets and liabilities, at the rate of exchange on December 31;

Fixed assets, long term debt and deferred income taxes, at historical rates of exchange;

Accumulated depreciation, on the basis of the equivalent Canadian dollar cost of the related fixed assets;

Income and expenses, except depreciation and amortization of expense less premium on first mortgage bonds, at month-end rates of exchange.

2. FIXED ASSETS:

Fixed assets, at cost, comprise:

	1971			1970
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 638,940	\$ —	\$ 638,940	\$ 626,461
Rights of way	680,636	326,712	353,924	373,488
Crude oil pipe line	106,588,623	54,582,567	52,006,056	54,187,301
Pumping and other equipment	24,157,352	15,181,086	8,976,266	8,113,457
Buildings and tanks	21,425,731	9,940,791	11,484,940	11,645,932
Incomplete construction	2,377,408	—	2,377,408	1,269,257
Expenditures made for indefinite future expansion of the system	1,797,220	396,306	1,400,914	1,389,004
	<u>\$157,665,910</u>	<u>\$80,427,462</u>	<u>\$77,238,448</u>	<u>\$77,604,900</u>

Depreciation has been provided on the basis of service life according to class of asset. The average rate on depreciable assets was 3.216% in 1971 and 3.239% in 1970.

3. BOND DEBT CURRENTLY PAYABLE:

	Series A 4½ % Canadian dollars	Series B 4 % United States dollars	Series C 4 % United States dollars	Series D 5½ % Canadian dollars	Series E 5 % United States dollars
First mortgage and collateral trust sinking fund bonds due April 1 1972					
Originally issued	\$30,000,000	\$35,000,000	\$ 6,000,000	\$15,000,000	\$15,000,000
Redeemed to December 31 1971	24,000,000	24,000,000	4,097,000	9,797,000	9,797,000
	6,000,000	11,000,000	1,903,000	5,203,000	5,203,000
Less—					
Bonds acquired for redemption on April 1 1972	16,000	—	—	359,000	734,000
Amounts due April 1 1972	<u>\$ 5,984,000</u>	<u>\$11,000,000</u>	<u>\$ 1,903,000</u>	<u>\$ 4,844,000</u>	<u>\$ 4,469,000</u>
Amounts due April 1 1972 in terms of Canadian dollars at rate of exchange on December 31 1971—					
Total	<u>\$28,248,859</u> <u>\$ 5,984,000</u>	<u>\$11,030,938</u>	<u>\$ 1,908,352</u>	<u>\$ 4,844,000</u>	<u>\$ 4,481,569</u>

4. LONG TERM DEBT:

Bank loan, due April 1 1973, which it is intended will be repaid April 1 1972 from the proceeds of a new bank loan bearing interest at 1% per annum above prime rate and repayable in annual minimum instalments of \$5,000,000	\$20,000,000
Other long term liabilities	360,000
	<u>\$20,360,000</u>

5. DEFERRED INCOME TAXES:

The companies have claimed capital cost allowances for income tax purposes, cumulatively in excess of the depreciation recorded in the accounts, resulting in the deferment of income taxes. In 1971 depreciation provided in the accounts exceeds allowances that may be claimed for income tax purposes resulting in a portion of income taxes previously deferred becoming payable currently. Accordingly, current tax provision has been offset by a credit of \$221,390 with a corresponding charge to deferred income taxes.

6. INCENTIVE STOCK OPTION PLAN:

Under the terms of an employees' incentive stock option plan approved by the shareholders on April 8 1970, and which expires February 10 1980, options may be granted to key employees to purchase not more than 75,000 of the unissued shares of the company at 90% of the market value on the date on which such options are granted. Options may not be exercised within the first year after they are granted. Options to purchase 46,000 shares at \$14.2875 per share granted to certain key employees on April 8 1970 were exercised during 1971 and proceeds of \$657,225 were credited to capital stock.

7. RETAINED EARNINGS:

The Deed of Mortgage and Trust securing the company's first mortgage and collateral trust sinking fund bonds places certain restrictions on the payment of dividends. Retained earnings free of these restrictions amounted to approximately \$34,300,000 at December 31 1971. Dividend payments may not reduce consolidated net current assets below \$1,000,000. These restrictions will terminate when the bonds are retired on April 1 1972.

8. REMUNERATION OF DIRECTORS AND OFFICERS:

The remuneration received by directors and officers of the company, (of which \$800 was received by directors from a subsidiary company) is as follows:

Directors		Officers		Officers who are also directors
Number	Amount	Number	Amount	
11	\$5,731	3	\$111,160	1

AUDITORS' REPORT

TO THE SHAREHOLDERS OF TRANS MOUNTAIN OIL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Trans Mountain Oil Pipe Line Company and its subsidiary companies as at December 31 1971 and the consolidated statements of earnings, retained earnings, and source and disposition of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31 1971 and the results of their operations and the source and disposition of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 4, 1972 PRICE WATERHOUSE & CO.
Vancouver, B.C. Chartered Accountants



The Wahleach Pump Station, part of recent 50 MBD expansion program, is situated in a small clearing beside the Trans-Canada Highway 401 between Hope and Chilliwack in British Columbia. It is an all electric station remotely-controlled from the command station at Sumas, 23 miles downstream.



Two new directors were elected to the Trans Mountain Board of Directors in 1971. Byron E. Milner, Vice President Manufacturing, Supply and Transportation of Atlantic Richfield Company replaces L. M. Ream, Jr. who resigned after serving five years on the board. C. W. Daniel, Vice President Transportation and Supplies of Shell Canada Limited replaces R. P. Ritchie who resigned after serving over ten years on the board.

TEN YEAR SUMMARY

TRANS MOUNTAIN OIL PIPE COMPANY

FINANCIAL (in thousands of dollars)

Revenue	
Expense (including depreciation)	
Income taxes	
Net earnings	
Net earnings per share	
Dividends distributed	
Percentage of net earnings paid	
Dividends paid per share	
Working capital	
Capital additions to pipe line system	
Investment in plant (original cost)	
Investment in plant (less accumulated depreciation)	
Long term debt — (after deducting payments due within one year)	
Number of shares issued	
Number of shareholders	
Canadian	
U.S.A.	
U.K.	
Other	

OIL MOVEMENT STATISTICS

(in thousands of barrels)

Receipts:

Petroleum

Alberta	
British Columbia	
Total	

Jet Fuel

Propane

Alberta	
British Columbia	
Total	

Deliveries:

Petroleum

British Columbia	
Washington State	
Tankers	
Total	

Jet Fuel

Propane

Tankers	
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1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
46,367	46,115	41,846	36,777	40,445	35,825	32,934	32,661	28,166	29,577
17,805	16,444	15,837	14,805	14,932	14,389	14,057	13,863	13,884	13,659
14,318	15,552	13,894	11,516	12,590	10,980	9,550	9,516	7,261	7,956
14,293	14,209	11,466	10,472	12,933	10,456	9,327	9,282	7,021	7,962
1.89	1.89	1.52	1.39	1.71	1.39	1.24	1.23	.93	1.06
8,326	8,288	8,288	8,288	9,418	8,288	7,535	7,529	7,525	7,525
58%	58%	72%	79%	73%	79%	81%	81%	107%	96%
1.10	1.10	1.10	1.10	1.25	1.10	1.00	1.00	1.00	1.00
7,239	7,448	4,938	4,923	7,687	6,783	10,322	9,957	6,458	6,860
4,603	2,030	2,285	5,223	1,409	4,189	1,156	629	1,066	506
157,666	153,189	151,208	154,398	149,441	148,835	146,319	145,238	144,812	143,916
77,238	77,605	80,477	86,868	86,990	90,911	92,551	96,446	100,936	104,915
20,360	28,977	35,070	41,548	46,953	53,204	59,854	65,010	67,826	71,897
580,640	7,534,640	7,534,640	7,534,640	7,534,640	7,534,640	7,534,640	7,534,640	7,524,640	7,524,640
16,609	19,247	20,066	20,818	20,734	20,156	18,178	17,363	15,835	14,436
15,682	18,251	19,018	19,768	19,703	19,127	17,092	16,248	14,613	13,192
777	827	866	885	861	868	932	975	1,101	1,135
46	55	56	57	60	61	59	56	55	56
104	114	126	108	110	100	95	84	66	53

99,954	99,609	90,753	79,799	87,702	78,099	69,767	71,378	59,709	64,996
17,784	18,494	18,554	16,368	14,513	13,324	10,477	8,661	10,490	7,489
117,738	118,103	109,307	96,167	102,215	91,423	80,244	80,039	70,199	72,485
1,571	664	—	—	—	—	—	—	—	—
2,510	3,163	2,998	2,275	2,039	614	—	—	—	—
95	175	64	51	110	14	—	—	—	—
2,605	3,338	3,062	2,326	2,149	628	—	—	—	—
36,933	34,910	30,580	33,661	31,800	30,062	25,785	26,471	23,555	26,214
79,279	81,842	78,714	62,624	70,191	61,232	53,953	53,295	46,460	46,174
1,121	853	—	—	582	—	—	—	—	—
117,333	117,605	109,294	96,285	102,573	91,294	79,738	79,766	70,015	72,388
1,570	659	—	—	—	—	—	—	—	—
2,430	3,334	3,276	2,221	2,226	270	—	—	—	—



AR09

Interim REPORT

of

Trans Mountain
Oil Pipe Line Company



for six months ended June 30, 1971



To the Shareholders

Trans Mountain Oil Pipe Line Company

Estimated consolidated net profits for the six months ended June 30, 1971 totalled \$7,211,000 or 95.1 cents per share outstanding. Corresponding results for the first half of 1970 were \$6,383,000 or 84.7 cents per share.

Daily deliveries during the period averaged 324,769 barrels of petroleum, 4,171 barrels of jet fuel, and 4,471 barrels of propane to tankers for Japan. The petroleum deliveries were made 68.8% to refineries in the State of Washington, 29.3% to refineries in British Columbia and 1.9% to tankers. The comparable petroleum deliveries during the first half of 1970 averaged 308,676 barrels daily with 70% made to Washington refineries and 30% to British Columbia refineries.

E. C. HURD,
President

*Vancouver, B.C.
July 30, 1971.*

Financial Summary

AUG - 9 1971

First Half Year

	1971	1970
Average daily oil deliveries in barrels*	333,411	318,356

INCOME:

Operating revenue	\$22,914,000	\$21,077,000
Income from investments	398,000	416,000
	<u>\$23,312,000</u>	<u>\$21,493,000</u>

CHARGES:

Operating expenses	\$ 4,112,000	\$ 3,412,000
Taxes other than income taxes	1,104,000	1,012,000
Interest on long term debt	820,000	846,000
Provision for depreciation	2,455,000	2,430,000
Loss on retirement of Company bonds	45,000	188,000
	<u>\$ 8,536,000</u>	<u>\$ 7,888,000</u>

Profit before income taxes	\$14,776,000	\$13,605,000
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Provision for income taxes	7,582,000	7,257,000
	<u>7,194,000</u>	<u>6,348,000</u>

Minority interest in subsidiary company loss	17,000	35,000
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Earnings for the period	<u>\$ 7,211,000</u>	<u>\$ 6,383,000</u>
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Profit per share	<u>95.1 cents</u>	<u>84.7 cents</u>
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The above amounts are subject to independent audit and adjustment of certain items ordinarily calculated on an annual basis.

AVERAGE DAILY OIL DELIVERIES IN BARRELS*:

	1971	1970
First Quarter	352,873	319,008
Second Quarter	314,163	317,711
Third Quarter	—	348,033
Fourth Quarter	—	347,356

**Includes propane deliveries out of Westridge Terminal and jet fuel to Vancouver International Airport.*

Consolidated Statement of Source and Disposition of Working Capital

for the six months ended June 30, 1971 (with comparable amounts for the half year ended June 30, 1970)

(stated in Canadian currency)

SOURCE:	1971	1970
Earnings for the period.....	\$ 7,211,000	\$6,383,000
Add:		
Non-cash charges and (credits) to earnings		
Depreciation.....	2,455,000	2,430,000
Minority interest in subsidiary company (loss).....	(17,000)	(35,000)
	<u>9,649,000</u>	<u>8,778,000</u>
Proceeds from sale of fixed assets.....	1,000	4,000
Long term collateral bank loan.....	20,000,000	—
Capital stock issued.....	657,000	—
Decrease in other assets and deferred charges.....	1,195,000	27,000
	<u>\$31,502,000</u>	<u>\$8,809,000</u>
DISPOSITION:		
Additions to fixed assets.....	\$ 2,360,000	\$ 650,000
Previously deferred income taxes now current.....	150,000	197,000
Reduction in long term debt —		
Bonds — face value		
1971 — \$29,105,000..	28,581,000	—
1970 — \$ 3,447,000..	—	3,371,000
Mortgage.....	36,000	40,000
Dividends paid.....	3,778,000	3,767,000
	<u>\$34,905,000</u>	<u>\$8,025,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$ (3,403,000)	\$ 784,000
WORKING CAPITAL at beginning of period.....	<u>7,448,000</u>	<u>4,938,000</u>
WORKING CAPITAL at end of period.....	<u>\$ 4,045,000</u>	<u>\$5,722,000</u>

The amounts stated herein are subject to independent audit and adjustment of certain items ordinarily calculated on an annual basis.